

1 VICE CHAIR: Good evening. My name
2 is Doug Patch. I am the chairman of the Public Utilities
3 Commission, and I am the vice chairman of the Site
4 Evaluation Committee. The chairman of the Committee, Bob
5 Varney, who is the commissioner of Environmental Services,
6 fully intended to be here this evening, but unfortunately
7 is ill and could not make it this evening, so I am going to
8 be sitting in for him. I think I would like to start,
9 first of all, by asking the members of the Committee to
10 identify themselves, so you have a sense of who is here
11 from the Committee. Maybe if we could start with Phil
12 Bryce down here at the end.

13 MR. BRYCE: Phil Bryce, director of
14 Forest and Lands with the Department of Resources and
15 Economic Development.

16 MR. CANNATA: Mike Cannata, chief
17 engineer at the Public Utilities Commission.

18 MS. BROCKWAY: Nancy Brockway,
19 commissioner of Public Utilities Commission.

20 MR. COLBURN: Ken Colburn, director of
21 the Air Resources Division of the Department of
22 Environmental Services.

23 MS. SCHACHTER: Deborah Schachter. I am
24 the director of the Governor's Office of Energy and

1 Community Services.

2 MR. BALD: I am George Bald,
3 commissioner, Department of Resources and Economic
4 Development.

5 MR. McLEOD: Rich McLeod, director of
6 Division of Parks and Recreation for Resources and Economic
7 Development.

8 MR. STEWART: Harry Stewart, director
9 of the Water Division, Department of Environmental
10 Services.

11 MR. TAYLOR: Jeff Taylor, director of
12 the Office of State Planning.

13 ATTORNEY SPATH: Kristin Spath, from the
14 Attorney General's Office. I am public counsel.

15 ATTORNEY WALLS: I'm Michael Walls from
16 the Attorney General's Office.

17 ATTORNEY M. IACOPINO: Mike Iacopino, counsel
18 to the Committee.

19 ATTORNEY V. IACOPINO: Vincent Iacopino, I am
20 associate counsel to Mike Iacopino.

21 MR. DUSTIN: I am Cedric Dustin,
22 administrator for the Site Evaluation Committee.

23 VICE CHAIR: Tonight the Site
24 Evaluation Committee will conduct an informational hearing

1 on the application of Pulp and Paper of America, LLC to
2 replace two existing oil-fired steam plant boilers, two
3 turbines and a wood bark fired boiler, with two new boilers
4 capable of firing number two fuel oil, number six fuel oil
5 or natural gas. The facility would include the
6 installation of a 35 megawatt steam turbine generator.

7 On December 18, 2000, Pulp Paper of America, pursuant
8 to RSA 162-H filed an application with the State of New
9 Hampshire Site Evaluation Committee. EPA, as I will refer
10 to them, also requested the Committee to grant an exemption
11 from the requirements of RSA 162-H to obtain a certificate
12 for an energy facility. The Committee found the
13 application and request for exemption complete for filing
14 and ordered that a public informational hearing be held for
15 this evening.

16 At the hearing tonight the Applicant will make a
17 presentation to the Committee and the public. The
18 presentation will be transcribed and published. Copies of
19 all transcripts will be filed with the town clerk of the
20 City of Berlin and made available to the public. After the
21 Applicant has made its presentation, members of the
22 Committee may have questions for the Applicant. After that
23 we will permit questions and comments from the public. If
24 you wish to speak at that point in time if you could just

1 raise your hand and I will call on you. Then if you could
2 come up to the microphone and identify yourself then that
3 would be helpful. We can only have one person speak at a
4 time, because as I indicated we are transcribing the
5 hearing this evening. The Committee will permit any member
6 of the public who has a question, comment or point of
7 interest they would like addressed to do so at that point
8 in time.

9 At this point in time then, I think we can proceed
10 with the Applicant, who I believe intends to introduce his
11 personnel and then to make a presentation to the Committee
12 and the public. And then after we have heard from the
13 Applicant, heard from members of the public, then the
14 Committee has some business which it will need to transact.
15 So, why don't we proceed to the Applicant.

16 MR. WAGNER: Thank you. Mr. Vice
17 Chairman, before I introduce our group here, I would like
18 to introduce Steve Lauwers from Rath, Young and Pignatelli
19 for opening comments.

20 ATTORNEY LAUWERS: Good evening, Mr.
21 Chairman, members of the Committee, members of the public.
22 I wanted to just do a very brief introduction to try to set
23 the stage for what you are going to hear in the
24 presentation.

1 My name is Steven Lauwers. I am an attorney at the
2 Concord law firm of Rath, Young and Pignatelli, and my firm
3 represents Pulp and Paper of America with regard to its
4 application for an exemption. The application is under
5 Chapter 162-H of the New Hampshire Revised Statutes. This
6 public hearing actually follows a hearing that was held in
7 Concord on December 18th, before the Committee. And our
8 understanding of the purpose of the hearing tonight is to
9 provide information and to respond to questions, especially
10 from people in the Berlin community, so that our attention
11 can be considered in the light of all of those questions
12 and the information that comes from you.

13 It is worth noting also, as a matter of frame work,
14 that the exemption that we are seeking from this Committee
15 does not exempt the facility or the construction of it from
16 the independent state regulatory requirements that are in
17 place with regard to any of the particular agencies that
18 are represented on the Committee. It simply takes us out
19 of the Committee itself and moves us to the individual
20 state agencies for approvals. Secondly, it in no way
21 effects the requirement to obtain various city approvals
22 and ordinance.

23 The background of this proposal is essentially that
24 PPA is seeking to site a co-generation facility within the

1 existing physical location of its pulp mill plant that is
2 here in Berlin. The project is really being driven by the
3 need to comply with strict EPA guidelines on air emissions,
4 which have gotten stricter in the last year, and which
5 require very significant investment by the corporation in
6 order to continue to operate and going forward. With the
7 co-generation facility added, essentially what could happen
8 is that there will be a cleanup of the air emissions. At
9 the same time an improvement in the economics of the way
10 the plant is operated, so that the plant can continue to
11 operate economically, as a benefit to the employees and the
12 community.

13 Again, I just want to point out the exemption that we
14 are seeking tonight is only from the State's site
15 evaluation process. We have already identified certain air
16 permits that we are going to be required to obtain, and we
17 will probably try to get an application in to the
18 Department of Environmental Services sometime later this
19 month. There may be other applications which are made as
20 well. We will also be subject, obviously, to EPA rules,
21 both as far as how we design and implement the facility,
22 but also after the facility is operating there will be EPA
23 follow-up testing to make sure that compliance has been
24 achieved. The reason I am going into that in such detail

1 is that there are many, many issues associated with the
2 construction of this facility, everything from selling
3 permits and construction permits to tax assessment issues,
4 and many, many other issues. We are going to have to deal
5 with those as they come up one after another. Tonight is
6 sort of a very early first hurdle in this process, which
7 is to receive an exemption from the Site Evaluation
8 Committee so that the Company can go ahead and put out
9 purchase orders for equipment to start planning for the
10 construction of the plant.

11 At the end of tonight's hearing what we are going to
12 request of the Committee is to find that we do actually
13 meet all of the requirements for an exemption in Chapter
14 162-H, and we would like you to grant our petition for an
15 exemption. Thank you for your time and attention. I am
16 going to turn the presentation now over to Jim Wagner, who
17 is the vice president and the resident manager of the
18 Berlin facility.

19 MR. WAGNER: Thank you, Steve. Mr.
20 Chairman, Site Evaluation Committee, members and supporting
21 staff, on behalf of PPA we sincerely appreciate and thank
22 you for taking the time to travel to the North Country to
23 coordinate this public hearing for our request for the
24 exemption of 162-H. Also, we thank the North Country

1 officials and our communities to provide support and
2 express your questions and interest concerning PPA's
3 project. And with that I would like to start the
4 presentation, which was done on the 18th of December.

5 Steve Snook is our technical director from the pulp
6 mill. Introduction of the staff: To my immediate left is
7 Bruce Ellsworth, who is our consultant for Supply Planning
8 Associates. Next is Nick Galante, who is our president and
9 CEO of Pulp and Paper of America. Next is Steve Lauwers
10 of Rath, Young and Pignatelli; Don Mercier, our power plant
11 manager; Beef Ramsey, our superintendent of utilities,
12 Dennis Pedneault, our engineering manager, Marc Gendreau,
13 who is our human resource manager, Tammy Lavoie,
14 environmental director, Norman Fortier, our controller, and
15 Mr. Porter, who is also our consultant with Supply Planning
16 Associates. Thank you.

17 Our presentation today consists of basically a review
18 of PPA's plan to become in compliance with EPA's
19 requirements of the national emission standards for
20 hazardous air pollutants portion of the Cluster Rules, and
21 New Hampshire air toxics, in a way that provides sufficient
22 understanding and an opportunity for public feedback by law
23 for the Site Evaluation Committee, so that the request for
24 an exemption from an approval of the RSA 162-H, involving

1 a 35 megawatt generating turbine is granted. Basically,
2 as a result of today, coming out of this meeting, you will
3 have an understanding of the meeting purpose, understanding
4 of the Berlin Cluster Rules and the energy project,
5 understanding of what critical time issues are being held,
6 and also the next steps that are necessary to move forward
7 for the granting of this exemption.

8 What I would like to do is go over, briefly, the
9 history of our facility; what the Cluster Rules project
10 represents; the energy generation project, what that looks
11 like; the power transmission plant; the environmental
12 impact and permitting; and the project benefits, both to
13 the community and for PPA; and then a path forward from
14 here.

15 Specifically, our pulp and paper mills have been
16 around for approximately 100 years. The pulping
17 operations, which is right in back of us over here,
18 basically consists of the manufacturing of both hardwood
19 and softwood, and is also a large user of steam and energy.
20 The operation also produces market hardwood pulp of
21 approximately 350 tons a day. The remaining softwood and
22 hardwood continues on down to the paper mill. At the paper
23 mill we generate approximately 600 to 700 tons a day of
24 uncoated free sheet grades on our one through four paper

1 machines, and towel on our number nine machine. Some of
2 the products that I am sure you are familiar with is the
3 book paper that we manufacture, specifically, for example
4 we manufacture for Stephen King, Ken Follett, John Grisham,
5 Belva Plain. We also make center sticks, which is the
6 wound stick that goes into candy, cotton swabs, that round
7 stick that is twirled into the candy. And also on number
8 nine we make the towel grades.

9 And, as you well know, we have had several owners in
10 the past. And Pulp and Paper of America is a wholly owned
11 LLC. Unlike a lot of our previous owners, Pulp and Paper
12 of America is a very aggressive entrepreneur, leaders in
13 the organization and in the industry. They have
14 demonstrated very forward thinking and have also had enough
15 foresight and vision to be able to lead us through some
16 tough times. And knowing the unfortunate situation with
17 Crown Vantage, has also had the foresight to fully
18 integrate and buy customers in order to keep our mill full
19 at all times. So, given this, and given the specific
20 project that we are here asking for an exemption for, that
21 this project will make us less vulnerable as compared to
22 our fully integrated competitors that we read in the paper,
23 and some of whom we know a little about, for example Fort
24 James -- I am sorry, James River, that became Fort James,

1 who is now Fort James and GP, International Paper and
2 Champion. Those are all the type of mills in the mega
3 merger that are being caught up in consolidation. PPA
4 wants to be able to maintain their independency.

5 In addition to that, we are looking at other mega
6 mergers in also the oil field, in the oil and gas industry,
7 and also in the power industry. So, basically, what we are
8 trying to do is maintain that competitive edge with the
9 very cost-effective project that we are offering up
10 tonight.

11 As far as the environmental history of our
12 organization, we have invested over the years, specifically
13 the last nine years, over 100 million dollars, and
14 specifically that into the chemical recovery boiler and
15 also into our bleach plant and waste water treatment
16 systems. This is a very unique opportunity for us, where
17 we have got an environmental compliance federal regulation
18 that came out a couple years ago, where we are to be in
19 compliance, specifically this operation, by April of 2002.
20 And in doing that we will be calling upon specific projects
21 to be installed that both capitalizes on being in
22 compliance, but also coupling a very unique energy project,
23 that we will get into in a minute. We have got a very
24 well-known engineering group working with us, of very high

1 expertise. And hopefully, in this case, where we are not
2 setting any precedence here, but also we might be able to
3 establish some type of template, because the exemption is
4 a rare form, from what I understand. It has not been
5 applied that much, if at all, in the past.

6 Specifically, what we will do now is talk about what
7 the project looks like. It is the Cluster compliant
8 environmental project, coupled with an energy project.
9 Cluster Rules is basically bundling both air and water
10 permits. And what I will do, it is kind of difficult to
11 see but I will walk you through what, specifically, in
12 concept what our plan is. I am sure you can see this in
13 detail.

14 Specifically, here, this is our current process. Our
15 current process consists of -- those who are very familiar
16 with PPA, who is known as central steam. Central steam is
17 basically number nine and number twelve boilers, which are
18 oil-fired boilers, and number 14, which is our bark boiler.
19 That, specifically, is known as central steam. And at this
20 point in time that steam is fed through number one turbine
21 and number four turbine, which generates some electricity
22 for the operation. The steam continues on to the pulp
23 mill, where it is used to process the chips, to turn the
24 chips into pulp and then use them to the paper-making

1 process. And then the electricity is used internally for
2 power usage. Also, at this point, we do purchase power
3 from PSNH and we also generate power from six hydro plants
4 that we have on the Androscoggin River.

5 The Cluster Rules specifically are in this process
6 here, and basically what we are talking about is the
7 collection and segregation of condensates from the steam.
8 And from there we are stripping out the undesired
9 components and taking advantage of what we call those gases
10 that are stripped out of the undesirable components. Those
11 gases have a BTU value. And from there we are going to put
12 them through and actually take advantage of the BTUs and
13 create more steam. The chemical recovery boiler, at this
14 point in time, also has available steam. So, that is there
15 for the taking to be put through a turbine, take advantage
16 of that and create electricity. So, specifically,
17 segregation, collection of the condensates, treatment of
18 them with a steam stripper, and then incineration of these
19 gases.

20 Now the proposed project, as far as steam goes and
21 electricity generation, is that we would decommission our
22 current number nine and 12 and number 14 boilers, and we
23 would introduce two package boilers, one full time and
24 another one for a backup that would take these stripoff

1 gasses and also at this point we have an option to either
2 burn fuel for oil or for gas. We don't know at this point
3 because we are still analyzing that process. So, we have
4 two boilers along with number 11 chemical recovery boiler
5 that would all go through a turbine, therefore that is
6 where the electricity is generated for the process, and a
7 little bit to go also on the grid. And then we would fully
8 use all of that other than market electricity for our
9 process. So, the excess electricity would go to the grid.
10 Everything else from the hydros and from our turbine would
11 be used internally.

12 At this point I am going to ask Don Mercier, who is
13 our power plant manager, to go into a lot more detail
14 around power flow and also the electricity impact. Don.

15 MR. MERCIER: Good evening.

16 Basically, what I would like to cover in this portion of
17 the presentation is to talk about the 35 megawatt turbine
18 a little bit; to show you some drawings, some plot plans
19 of the location of the transformers and the transmission
20 lines; to talk about the interconnection study required by
21 ISO New England. I will show you some one-line diagrams
22 on how the power transmission lines will be connected, and
23 a little bit of low profile on the current and future loads
24 for the mill.

1 As Jim just presented over here, we are planning on
2 using the two new boilers and the recovery boiler to send
3 steam through our 35 megawatt steam turbine. Once the
4 steam gets processed through the turbine and generates
5 electricity, the steam then goes through the process to
6 make pulp in the mill. The electricity will then be used
7 to service the mill itself. The interconnection of the
8 turbine will be such that we can feed power to either the
9 paper mill or the pulp mill. If and when there is excess
10 power, it would be transmitted back to the Public Service
11 grid, mainly at the East Side substation on Goebel Street.

12 I have a plot plan here. It is very small, but it is
13 a plot plan of the pulp mill, the Burgess Mill. And I will
14 try to identify as much as I can, realizing that it is far
15 away. This square that you see over here is the recovery
16 boiler that is that largest building that you see from Main
17 Street. And right in front of that recovery boiler is
18 where we plan on putting the two new package boilers. The
19 folks that work in the mill are familiar with that area.
20 There is an open area, and that is where the two boilers
21 are going to be. The 35 megawatt turbine will accept steam
22 at 800 pounds pressure and will extract steam at 150 pounds
23 and 40 pounds for the process of the mill. It will be
24 located in back of the recovery boiler, somewhere in here,

1 for some of you older folks, where the old Community Club
2 was, towards behind the mill, closest to the river. The
3 turbine would be located there along with probably a small
4 substation where the transformer for the turbine will go.
5 On a bigger plan, just to give you a feel for how it all
6 fits in with Berlin, this is the pulp mill area right here.
7 The river flows this way. City Hall is sitting right here.

8 The power, the electricity that the turbine will
9 generate, the turbine will be located right here. The
10 power will be transmitted to an existing pole line that we
11 presently own today on the right-of-way following the old
12 railroad. And it will go down to the East Side substation,
13 which is located in this area, and connect us to the grid
14 in that fashion.

15 While I have this drawing, Jim mentioned earlier the
16 possibility of using natural gas as one of our fuels. And
17 if the economics prove to be that choice -- the Portland
18 pipe line runs along in this fashion. Our primary choice
19 to connect to the Portland gas line would be in this
20 location. We would tap off the line and come down Mt.
21 Carbury (ph) Road, which is our landfill, go across Hutchin
22 Street and into the Burgess Pulp Mill. That would be our
23 primary choice for a line. A secondary choice,
24 potentially, would be down in this area, which is just

1 behind Cross Power Dam. We would connect there and come up
2 the railroad line, the old railroad bed, that is no longer
3 being used, and up into the pulp mill, with the possibility
4 of teeing off and at some future date going down to the
5 paper mill.

6 The next item that I would like to talk about is a
7 little bit of the interconnection study that is required.
8 Interconnection study required by ISO New England. ISO New
9 England is an independent system operator. And it is a
10 group that manages the grid for New England. They dispatch
11 power onto the grid and they say who can and who can't put
12 power into the grid. So, they require us to do an
13 interconnection study to see that the power that we intend
14 on generating would be acceptable on the grid, making sure
15 that the transformers are large enough, that the wires can
16 carry the electrons and so forth. That has been done. We
17 have applied to ISO New England. We are in the queue, what
18 they call the queue, which is a long list of applications.
19 That is the first step. But we have applied to ISO New
20 England. They in turn go through the transmission and
21 distribution company, which in our case is Public Service
22 of New Hampshire, and in a period of six to 12 months they
23 study the system and then they tell you if the system is
24 going to accept that kind of power. Now, hopefully it

1 won't take that long, because we have to order equipment.
2 We have to order a turbine, and we have to order
3 transformers and equipment. So, what we are hoping is, and
4 my information is, that we would get enough information
5 early on to be able to do that from PSNH.

6 The next item I would like to show you is the existing
7 one-line. And it is a simplified one-line. It doesn't
8 show all the switches and whatnot. But we have two mills.
9 We have a pulp mill in Berlin and we have our paper mill
10 in Gorham. They are separated by two interchanges. This
11 is a breaker that is located in the PSNH substation. This
12 is a transformer. That feeds -- It connects the paper mill
13 at Gorham to our transmission system, which is 22,000
14 volts. On that transmission system we generate 11
15 megawatts of electricity with our hydro stations on the
16 south line. And we have a small turbine at the paper mill
17 that generates approximately 3 megawatts of power. The
18 mill itself uses 17 megawatts of electricity to operate.
19 What we don't generate we buy through PSNH through this
20 breaker. The other part, the other interchange, is for the
21 pulp mill. It is breaker 254, and it is also located at
22 the East Side sub PSNH. It connects another 22 kV line --
23 kilovolts, kV stands for kilovolts. We have 12 megawatts
24 of hydro on that system as well. We have a 7 megawatt

1 steam turbine and a 5 megawatt steam turbine. They feed
2 the grid and generate the electricity to supply part of 24
3 megawatts to feed the pulp mill. The rest is purchased
4 through PSNH through breaker 254. That is the present
5 system. That is the system that we have today. The
6 proposed system would not change what goes on on the paper
7 mill side, power wise, electricity wise. We would still
8 have a connection to the 115,000 volt transmission system
9 and feed the paper mill with pretty much the same loads and
10 the same generation. However, on the north line we have
11 removed number one and number four turbine and replaced it
12 with the new 35 megawatt turbine. We still have our
13 hydrogeneration and the mill will use approximately the
14 same amount of electricity as it did before. That is
15 basically the system as it is going to be. We are going
16 to generate a little bit more power than we use in this
17 particular case, and the extra power will go back into PSNH
18 and onto the grid. That is what the ISO New England
19 interconnection study is for, to make sure that that power
20 can be accepted safely onto the grid.

21 This is a load profile, and I don't know if you can
22 see it real well, but what it shows is the Y axis, shows
23 megawatts, and this is a time axis by month. And it shows
24 how much hydrogeneration we have, this line right here,

1 steam generation, the pink line. And it changes with
2 seasons. And then the total generation, the green line.
3 It shows the demand of the pulp and the paper mill. It
4 shows that we buy on average around 40 megawatts for both
5 mills. Not that we buy, that we use. That is our total
6 load. And presently we purchase anywhere from 4 megawatts
7 to 17 megawatts of electricity, depending on the time of
8 year, depending on how much water flow we have in the river
9 and how much our hydros are producing, and depending on how
10 much the steam turbines are producing. They produce more
11 in the winter time because we have a steam load. That is
12 what we are looking at today. And the important line here
13 is the blue line. This is the electricity we are presently
14 purchasing from PSNH.

15 This is what the loads are going to look like with the
16 new turbine. Again, we have the Y axis is megawatts by
17 month. The other graphs, the hydros and the total load in
18 the mill hasn't changed very much. It is still pretty much
19 the same thing, except that the new turbine, which is in
20 yellow and hard to see, is going to be generating a little
21 bit more than 30 megawatts down to around 27 megawatts.
22 You ask why the 35, well, the 35 is in planning for the
23 future and possible expansions, we would have the extra
24 capacity in the turbine to generate that much more steam.

1 The other important part of this graph is again the
2 blue line. If you notice, it is negative, which means the
3 power is going out of the plant, instead of like on the
4 other chart into the plant. And what I would like to point
5 out is that the magnitude of the electricity that is
6 flowing in the lines is pretty much the same magnitude as
7 what you saw in the other slide. We are looking at pushing
8 at sometimes maybe 15 megawatts, sometimes just a few, 4
9 or 5 megawatts, onto the grid. On average it is about 9
10 megawatts, I believe. So, as far as magnitude of current
11 flowing in and out, there won't be a big change. That is
12 about the end of my presentation, unless there is any
13 questions from the Committee.

14 VICE CHAIR: We are saving questions,
15 I think, until after you finish.

16 MR. WAGNER: Thank you, Don. One
17 point I would like to emphasize, Don had talked about the
18 statute, the RSA 162-H indicates that anything over 30
19 megawatts the Site Evaluation Committee has to approve.
20 It would have been very easy for us as a team and as an
21 organization to throw our hands up and say, "Well, we will
22 do 29, 28, 27 and get away from this and not bother with
23 all the structure that we have to go through." We really
24 believe that that incremental amount of opportunity is

1 there for expansion and also sets us in a better, more
2 improved competitive position that we are in, being a 100-
3 year-old mill. As you well know, we need to do as much
4 update and modernization as possible, so we decided to
5 stick with it and ask for the exemption, request for the
6 exemption.

7 The next item deals with environmental impacts and
8 permits. Specifically the Cluster Rules, the first line
9 here, is basically right out of the statute, where the
10 mills will be in compliance with EPA Cluster Rules for
11 control of hazardous air pollutants. That is taken right
12 out of the statute.

13 The next item is relative to pulp mills, and I am sure
14 many of you can associate with, maybe not the specific
15 component names, but for sure the odors; the control of
16 hydrogen sulfide, which is that rotten egg smell that you
17 smell a lot less of now than you did years ago; methyl
18 mercaptan, which is the cabbage smell, and then
19 turpentines. Those are the specific items that we are
20 reducing. The air permit application will be into the New
21 Hampshire Air Resource Division in mid to late January.

22 The project benefits that we see coming out of this,
23 specifically for the community, is again the reduction in
24 mill odor, from what we talked about earlier, the total

1 reduced sulphur compounds, reduction in emissions or the
2 hazardous air pollutants that we have just discussed, purer
3 operating stacks, and new electrical generating capacity
4 from the existing site.

5 For the Company the benefits would be a lower energy
6 cost, modernized steam generating system, improved energy
7 recovery, increased reuse of our process water, the
8 decommissioning of our central steam plant, as we pointed
9 out in the schematic, which specifically are 9, 12 and 14
10 boilers, and it enhances the long term viability of our
11 operation, which is key. This project will secure or
12 stable, bring stability, more stability to the North
13 Country in allowing this project to go forward.

14 There has been a lot of community support on this
15 project. I would like to read specifically, the letters
16 of support have been from Executive Counsel, Ray Burton,
17 Mike Neil, who is executive director of Northern White
18 Mountain Chamber of Commerce, City Manager Robert Theberge,
19 John Simpson, who is our North Country industrial agent
20 with DRED, Michael King, the executive director or North
21 Country Council, Steven Barba, who is the president and
22 managing partner of the Balsams, Pete Rivier, Coos County
23 Economic Development, and two letters of recognition for
24 support from Governor Shaheen and Senator Gregg. And then

1 the public information is the rollout of the notice in the
2 newspapers. A copy of the site exemption report is located
3 at the city clerk's office. And then public hearing, which
4 is what we are having now.

5 Mr. Chairman, at this point the official presentation
6 is completed and thank you.

7 VICE CHAIR: Okay. I will ask if
8 members of the Committee have questions they would like to
9 ask. Okay, Commissioner Brockway.

10 MS. BROCKWAY: Thank you. I had a
11 question for the gentleman responsible for the generators,
12 actually a couple of questions. Can you repeat again what
13 you said about the magnitude of the generation being pretty
14 much the same before and after? Let me tell you what my
15 confusion is. Before it looked as if you were buying a
16 fair amount from PSNH, and now it looks as if you are
17 selling maybe the same amount into the grid. But the
18 magnitude may not have differed, but the sign has changed
19 from a negative to a positive, or positive to negative,
20 depending upon your point of view. Did I get that right,
21 or can you clarify that?

22 MR. MERCIER: Yes. You are right on.
23 Basically what I was trying to show there is that the
24 amount of electricity flowing in the line wouldn't be a lot

1 different than what they are today. But you are 100
2 percent correct. The power would be flowing out in the new
3 scenario, whereas today it is flowing in.

4 MS. BROCKWAY: A couple more
5 questions, if I might. Do you have, or will you have a
6 contract with PSNH for backup power assuming, God forbid,
7 something should happen to the generators and you fall
8 below your own plant's needs?

9 MR. MERCIER: Yes. We don't have a
10 contract at present, but part of the project allows for and
11 has special rates for customers that are connected to the
12 PSNH grid. If our turbine one were to trip out, for
13 instance, we would not want to shut our mill down. So,
14 part of the problem is getting the necessary electricity
15 back into the mill to continue operating. There are rates
16 that allow for that and allow for backup power into the
17 system. And all the systems would be sized for that
18 eventuality.

19 MS. BROCKWAY: You mentioned that you
20 still don't know if you are going to be using oil or gas.
21 Can you talk a little bit more about the considerations
22 going into that? Part of the reason is that there has
23 been, in the state, a concern about the adequacy of natural
24 gas, the adequacy of oil for other purposes. And we seem

1 to be doing okay so far this winter, knock wood, but that
2 concern has been raised. So, the question then is can you
3 comment on what impact, if any, you think these new
4 operations or expanded operations would have on the fuel
5 supplies for either oil or gas?

6 MR. MERCIER: In the area?

7 MS. BROCKWAY: Yes.

8 MR. MERCIER: I think I would prefer
9 -- Jim?

10 MR. WAGNER: We are currently looking
11 at both options, with the gas line as well as the fuels.
12 And based on the volatility, no pun intended, of the fuel
13 opportunities, we are still aggressively looking at those
14 choices and really have not decided on which of the two
15 yet.

16 MS. BROCKWAY: Do you think you might
17 do what some plants have done -- I think Londonderry did,
18 where the plant in that case basically will run on gas, but
19 they have an oil backup. Do you think you will be dual
20 fuel or do you think you will just choose one eventually
21 and go with that?

22 MR. WAGNER: We will probably choose
23 a main primary with a secondary secure backup.

24 MS. BROCKWAY: Then I guess my last

1 question had to do with the pipeline. If you chose gas as
2 the main and you were to build either one of those spurs
3 in, would those be sized in such a way that -- Does it make
4 any sense to think about using those as ways of getting gas
5 into those areas of Berlin that now don't have gas?

6 MR. WAGNER: We would not make that
7 decision in a vacuum, for sure. We would consider other
8 uses as well.

9 MS. BROCKWAY: Thank you very much.

10 MR. WAGNER: You're welcome.

11 VICE CHAIR: Mr. Wagner, the letters
12 of support that you cited, if the Committee doesn't have
13 copies of all of those letters, could you just make sure
14 that we do have copies of those letters of support?

15 MR. WAGNER: I have them all.

16 VICE CHAIR: Other questions from the
17 Committee?

18 MR. COLBURN: These are either for the
19 same gentleman or for perhaps Mr. Wagner. Two timing
20 questions. Because you are on such a tight schedule to
21 meet the federal Cluster Rule requirements, my
22 understanding is that the ISO interconnection queue is
23 actually a relatively slow process. Would your plans be
24 to install your new equipment and simply not generate such

1 that you would sell back to the grid, but would comply with
2 the federal Cluster Rule requirements if the
3 interconnection study is not done and approved such that
4 you can take advantage of selling back to the grid? Would
5 that be the plan?

6 MR. WAGNER: The priority is
7 definitely to be in compliance with the Cluster Rules
8 portion of this project.

9 MR. COLBURN: So that will proceed
10 ahead, even if you don't have the interconnection ability
11 and then you will just flip that switch when you do.

12 MR. WAGNER: Yes, sir.

13 MR. COLBURN: And a similar question
14 in terms of the timing of the tap on a natural gas line.
15 How long will that process take, and does that put you at
16 risk of slowing down compliance with the federal Cluster
17 Rules as well?

18 MR. WAGNER: I don't think that will
19 slow us down. I am sure we have got plenty of expert help
20 and resources that we can rely on to help us out, because
21 a lot of people understand the urgency that we are under.

22 VICE CHAIR: Commissioner Schachter.

23 MS. SCHACHTER: Your presentation
24 includes the prediction that there will be lower cost

1 energy for the facility as a result of the proposed
2 installation. And I wonder if you have estimates.
3 Obviously it might depend on, it will depend on the cost
4 of the fuel and which fuel choice you make, but I wonder
5 if there are estimates that you could show the Committee
6 and the public at this time.

7 MR. WAGNER: At this time, because
8 of the ups and downs of both oil and gas, I wouldn't even
9 try to give you a number on what the financial drivers are
10 for payback. That would be confidential anyway. But let
11 me say that the Cluster Rules by themselves really don't
12 offer any advantages from a financial standpoint, and in
13 fact, negatively impact the operating cost of the
14 operation. And that is why we really need to tie it to a
15 project that is long and overdue to take advantage of the
16 BTUs and also be even more overcompliant, I guess, with
17 regulations. And I think Mr. Colburn can confirm that.

18 MS. BROCKWAY: Mr. Chairman, may I
19 follow up?

20 VICE CHAIR: Okay, Nancy Brockway.

21 MS. BROCKWAY: I apologize, gentlemen,
22 because I think you did answer this question, but I haven't
23 been taking notes so the answer flew out of my mind. About
24 the particular issue of whether these additional demands

1 for either gas or oil or both would have an impact on the
2 availability of those fuels for other uses in the region,
3 you may have said, but can you go over that again?

4 MR. WAGNER: I indicated that if we
5 were to choose the gas line that we would consider the
6 City's interest and other constituents as well, for sure.
7 We would not make that decision in a vacuum.

8 MS. BROCKWAY: And in similarly, their
9 interest in whatever the oil would be if you choose that
10 route?

11 MR. WAGNER: The same answer.

12 VICE CHAIR: Michael Cannata.

13 MR. CANNATA: Mr. Wagner, I believe
14 you stated that the 35 megawatts would provide some room
15 for the Company for expansion, in your presentation just
16 a few minutes ago. Could you expand on what you meant by
17 that?

18 MR. WAGNER: Well, currently there
19 is all kinds of opportunities out there, both at our pulp
20 mill and paper mill, that we really haven't had the
21 opportunity to take advantage of. Being a pulp mill we are
22 very lucky to be able to both manufacture and sell market
23 pulp and also manufacture uncoated free sheet and towel.
24 As the edict of using more recycled paper comes into play,

1 that really displaces -- increases our cost, the fiber, so
2 we have to put it somewhere. And in order to be
3 competitive this opens up other areas, potentially for real
4 estate where we could expand up at the pulp mill.

5 MR. CANNATA: I have an additional
6 question, Mr. Chairman. Is PSNH here this evening? Could
7 you come forward, please? I have a couple questions about
8 the interconnection study, and I wanted to see what the
9 PSNH position was.

10 VICE CHAIR: If you could just
11 identify yourself for the record, that would be helpful.

12 MR. LEMAY: My name is Gary Lemay
13 with Public Service Company of New Hampshire.

14 MR. CANNATA: Mr. Lemay, as I
15 understand the Application for Exemption that is in front
16 of us, that the interconnection diagram or plans are not
17 complete yet. In addition, the fact that this project is
18 greater than 5 megawatts it needs ISO approval, as the
19 Applicant presented in its presentation. The concern that
20 the Committee has is that the reliability, the safety of
21 the grid has to be maintained. And I would like your
22 opinion as far as how you see the process going, being the
23 person being interconnected with and probably working with
24 the ISO doing the system impact studies. If the Committee

1 were to move favorably on the Applicant's request with the
2 conditions such that if existing PUC rules were followed,
3 in terms of the interconnection PUC rule 306, being
4 specific, National Electric Safety Code, National Electric
5 Code, and if the Applicant was required to have your
6 approval, in other words, that it had to meet your
7 standards, and had to have the ISO approval prior to
8 operation, would that maintain the safety, the reliability
9 and the integrity of the grid, in your opinion?

10 MR. LEMAY: My opinion of the
11 interconnect study is that that is part of what is covered,
12 It's the integrity of the grid system, is part of the
13 interconnect study. In fact, it is a substantial part of
14 the study. So, in all my experience to date, that is one
15 of our prime considerations, is that the integrity of the
16 grid is maintained. And that is why these studies are
17 extremely complicated and time consuming.

18 MR. CANNATA: Thank you.

19 MR. LEMAY: Does that answer your
20 question?

21 MR. CANNATA: Yes, it does.

22 VICE CHAIR: Mr. Lemay, since you are
23 here, I have a copy of the letter from Mr. Allwarden, the
24 senior counsel for the legal department, to Chairman

1 Varney, in which he essentially says -- Maybe I can just
2 read it, it is relatively short. "Public Service Company
3 of New Hampshire understands that the New Hampshire Site
4 Evaluation Committee is considering an application and
5 request by Pulp and Paper of America, LLC for exemption
6 from the approval and certificate requirements of RSA 162-H
7 with respect to PPA's proposed new 35 megawatt co-
8 generation facility at its pulp mill in Berlin, New
9 Hampshire. I am authorized to state, on behalf of PSNH,
10 that provided the interconnection for the subject project
11 meets the interconnection requirements of PSNH and ISO of
12 New England, PSNH has no objection to the granting of the
13 exemption requested by PPA. PSNH requests that this letter
14 be made a part of the SEC's record in the above
15 proceeding."

16 As I understand it, that is PSNH's position on this.

17 MR. LEMAY: That is correct.

18 VICE CHAIR: It is consistent with
19 what you have said?

20 MR. LEMAY: That is consistent. I
21 have a copy of that letter, also.

22 VICE CHAIR: Okay. Thank you.
23 Deborah Schachter.

24 MS. SCHACHTER: One further question.

1 In material that was submitted to us in a January 4th
2 letter, regarding the request for an exemption, PPA asserts
3 that it believes that this is the only potential co-
4 generation facility in New Hampshire that will ever seek
5 an exemption from this committee, by virtue of the belief
6 that there are no other facilities in this state that have
7 co-generation potential that would call for a turbine in
8 excess of 30 megawatts. And I wonder if you could
9 elaborate on that for the record this evening.

10 MR. WAGNER: At this point in time
11 our facility is the only kraft pulping operation in the
12 state of New Hampshire, and therefore led us to that
13 decision or that statement, that we see down the road that
14 there will be no other request for exemption or the
15 building of an operation of 30 plus megawatts. I believe
16 the only other pulp mill in all of New Hampshire is located
17 at Wassau Moseley in Groveton, and they are not really a
18 kraft mill.

19 VICE CHAIR: Jeff Taylor?

20 MR. TAYLOR: Mr. Wagner, in near term
21 you are likely looking at a fuel supply of oil. I wonder
22 if you could comment on how that oil would be delivered to
23 the facility, and how the volume of traffic, once the
24 facility is complete, would compare with the volume of

1 traffic at present.

2 MR. WAGNER: Currently if we were to
3 go to utilize oil fully at the pulp mill, it would probably
4 be -- I think our current operation is maybe four to six
5 trucks. It might be two more trucks a day, a day being 24
6 hours. So, there is no real major increase in truck
7 traffic.

8 MR. TAYLOR: Thank you.

9 VICE CHAIR: Other questions from the
10 Committee?

11 ATTORNEY V. IACOPINO: I have just one small
12 question. I think you said that you are a wholly owned
13 subsidiary now?

14 MR. WAGNER: We are a wholly owned
15 LLC, limited liability corporation. Actually, we are an
16 affiliate.

17 ATTORNEY V. IACOPINO: Of whom?

18 MR. WAGNER: American Tissue.

19 MS. SCHACHTER: I do have another
20 question, I think for legal counsel. This committee is
21 charged under statute with referring, as you know, to four
22 requirements that are the criteria for determining that an
23 exemption is appropriate. And I wonder if, for the benefit
24 of the Committee, as well as the members of the public, if

1 you could briefly address on the record of why you believe
2 this project meets the four criteria set forth in the
3 statute?

4 ATTORNEY LAUWERS: I will read each of the
5 standards, and then I will fit them to why I think they
6 qualify and then I will go on to the next one.

7 The first standard is that existing state statutes,
8 state agency rules, or municipal ordinances provide
9 adequate protection of the objectives of RSA 162-H, and H
10 (1). RSA 162 is really designed to have a thoughtful
11 approach to the siting of any electrical generating
12 facilities over a certain size in New Hampshire. And there
13 is a wide range of public impacts that need to be taken
14 into account. So, the SEC is comprised of all sorts of
15 different agencies and people with different backgrounds
16 to take into account all those different considerations.
17 We believe that this particular site, because it is being
18 built within the footprint of the existing pulp mill, and
19 because of the engineering of it, there are really very few
20 effects, and certainly many fewer than would be the case
21 if one were to site an energy facility in a virgin land
22 sort of situation where you were building and you were
23 diverting water and everything else. We really do believe
24 that the primary regulator of many of the permits we need

1 to seek at the state level is going to be the Department
2 of Environmental Services. We also think that the federal
3 government, through the Cluster Rules, imposed by the EPA,
4 our primary regulator and will continue to be. And finally
5 we believe that in the city of Berlin the combination of
6 their zoning, building inspection and tax assessment
7 guidelines all provide economic guidelines and guidance as
8 far as how the accounting and construction will be
9 permitted to proceed.

10 The second requirement would act upon A. What we have
11 done is we have gone very quickly and looked at each of the
12 state agencies that have jurisdiction to look at whether
13 there are particular requirements. Even in the absence of
14 finding a particular requirement, we will go to the head
15 of that agency or the division head, the person responsible
16 to make sure that there isn't something that we are missing
17 or there isn't a concern that that agency has. So, I
18 wanted to add that in context of provision A.

19 The second ground for exemption is that a review of
20 our application reveals that consideration of the
21 application by only elected agencies is required, and that
22 the objectives can be met by those agencies without
23 exercising the provisions of RSA 162-H. And I guess I have
24 jumped ahead of myself, because much of the explanation I

1 just gave is very much also applicable there. We really
2 think that this is a project that really has deeply focused
3 need for Department of Environmental Services work, but
4 less so some of the other agencies that are involved.

5 The standard C is that the response to the application
6 from the general public indicates that the objectives are
7 met through the individual review process of the
8 participating agencies. And there I think I will add, and
9 I think that also the City of Berlin, through whatever
10 process they do, whether it is a tax process or otherwise
11 or zoning process. The purpose of this evening's meeting
12 and hearing, I thought, was to actually make sure that that
13 was the case, that adequate public input was generated, or
14 at least the opportunity was offered, so that if there is
15 a general public sense that this is not sufficient, that
16 can be stated in this setting.

17 And then finally, that D, all environmental impacts
18 are adequately regulated by other federal, state or local
19 statutes, rules or ordinances. And again, I have
20 anticipated that. I think that the driver of environmental
21 regulations on that basis is EPA at the federal level .
22 Their regulations are extraordinarily detailed. In New
23 Hampshire they tend to be extremely carefully and closely
24 followed by the State. We have a very large state agency,

1 a very well staffed state agency. And we really do believe
2 that we have an air permit that will (inaudible)
3 complicated document. And we think that the environmental
4 impacts pretty much are very adequately controlled by the
5 EPA and by the state DES. And the EPA also, I just wanted
6 to add, follows up after implementation or construction.
7 Once the plant operates then they come back and they check
8 to make sure that you are in compliance. So, it is not a
9 paper process where you sign off and then they forget you.
10 They actually come back and do some real checking to make
11 sure that you are in compliance. And those are the four
12 tests. We believe we meet all four of the tests at this
13 time.

14 MS. SCHACHTER: Thank you.

15 VICE CHAIR: Any other members of the
16 Committee have questions? Mr. Iacopino.

17 ATTORNEY M. IACOPINO: I have a question.
18 Probably Mr. Lauwers is the best one to answer this. One
19 of the objectives of RSA 162-H(1) is to make sure that
20 projects such as this do not have significant adverse
21 impacts on the welfare of the population, the public health
22 and safety. Your plan includes a 680,000 gallon oil fuel
23 storage tank as well as a 6,800 foot natural gas pipeline.
24 Could you please advise the Committee and the public as to

1 what agencies you will be looking to, what selected
2 agencies, which are represented on the Committee, you will
3 be looking to to ensure that the public health and safety
4 from those two parts of this facility are protected.

5 ATTORNEY LAUWERS: With regards to the
6 storage tank, that would be primarily within the
7 jurisdiction of the Department of Environmental Services.
8 Specifically the DES regulates the installation of any
9 storage tank over a certain size where 10 percent or more
10 of the storage tank is going to be placed underground.
11 This storage tank, I don't believe, is going to be placed
12 underground at all. So, I think the DES, as far as the
13 installation of the oil storage tank, to the extent there
14 are any traffic -- I do want to re-emphasize I think there
15 are certain issues also that are local issues, and I think
16 the local issues tend to come up over time in the
17 construction phase, including any kind of storage facility.

18 Secondly, on the gas line, it is slightly different,
19 in the sense that in New Hampshire, to the extent a gas
20 line undermines any highway or crosses a public way, there
21 needs to be a prior approval from the Department of
22 Transportation. My understanding is, based on the two
23 alternatives, one of the alternatives does not cross a
24 public way and would not involve the Department of

1 transportation. The other alternative does and would
2 require the involvement of the Department of
3 Transportation. In addition, with regard to the gas
4 pipeline, I think that the PUC is not -- I can't think of
5 a specific requirement, but I think we would certainly be
6 in contact with them and I believe, because I have already
7 gotten a notice of that, that I think there is a federal
8 Office of Pipeline Safety, so I think that is a regulator
9 that might not be on the panel, that might be a related
10 regulator that the people on the panel will deal with.

11 VICE CHAIR: Any other questions?

12 If not then we are ready for any members of the public who
13 would like to speak. So, if you could identify yourself.
14 Raise your hand if you would like to speak, and I would be
15 happy to call on you, and you could come up to the
16 microphone and identify yourself for the record, and you
17 can either ask questions or give us a comment.

18 MS. TUCKER: Edith Tucker, reporter
19 from the *Coos County Democrat*. The first question is
20 pretty simple, and that is how high is any stacks that will
21 be built, how tall?

22 MR. WAGNER: I will refer that to
23 Dennis.

24 MR. MERCIER: As federal project

1 manager there are no stacks being built on the project.
2 We are utilizing the number 11 (inaudible) stack, basically
3 the main stack. So, essentially the technology we are
4 using is a wet scrubber, so about the only thing you may
5 see is a little bit more plume; like today you saw a plume,
6 you will probably see a little bit more of that, but that
7 is about it.

8 MS. TUCKER: So, the answer is, you
9 are using existing stacks?

10 MR. MERCIER: Yes.

11 MS. TUCKER: And the second question,
12 I don't know who this is addressed to. When I attended the
13 Site Evaluation Committee hearings on the pipeline, so very
14 recently, there was a great deal of discussion about how
15 forward thinking New Hampshire was in having a one-stop
16 committee. Everyone cited this as an enormous advantage
17 that New Hampshire had over 49 other states. And so it
18 seemed odd to me that suddenly this isn't a good thing, and
19 we want a waiver from having this collective thought
20 process. So, I don't know whether that is a question
21 addressed to you, Mr. Patch, or to Mr. Wagner.

22 VICE CHAIR: The Applicant is the one
23 who has asked for an exemption from this statute. And I
24 think we have actually gone through the criteria that are

1 necessary in order for an exemption to be granted.
2 Certainly one of the benefits of having a statute is the
3 attempt to avoid having to go to a number of different
4 agencies separately. But under the site evaluation process
5 contained in the statute all those bases are touched, they
6 are just touched sort of at one time with the agencies.
7 Virtually all of them are involved through the Site
8 Evaluation Committee itself. But the legislature provided,
9 when they passed this law, that an Applicant could seek an
10 exemption, and that is exactly what they have done this
11 evening. So, I don't know, Mr. Lauwers, if you want to
12 address that issue too.

13 ATTORNEY LAUWERS: Thank you, Commissioner.

14 The only thing I would add to that is there is a statutory
15 process for exemption. And I think that the reason we
16 wanted to talk a little bit about the fact that we have a
17 unique set of facts is that we really do think that this
18 is probably the type of situation for which the exemption
19 was contemplated in the first place: that it is a somewhat
20 unique self-contained project within an existing site,
21 which also already has generating facilities within it. But
22 it is not that to take anything away from the fact that the
23 Site Evaluation Committee has an extremely important role
24 to play in many, many projects. Probably the larger or

1 newer the project the more important the role is. Ours is
2 close to the minimum size and also I think quite
3 exceptional as far as the facts that we are presenting.
4 The caveat for the application for exemption, the Committee
5 did not ask us to do that, we did that on our own
6 initiative.

7 MR. COLBURN: If I could just offer
8 an additional thought to that. Members of this committee
9 represent, in the case of something like the pipeline,
10 impacts from road and bridge crossings, wetlands impacts,
11 stream crossings, visual impacts relative to potential
12 impact on tourism, perhaps even forest impacts. And in the
13 particular case of this application I think none of those
14 really come to bear in any significant sense, because this
15 is not an extensive project such as a pipeline, nor is it
16 a greenfield development, a brand new development in a site
17 that has not previously hosted industrial activity. So,
18 I think those parameters, if you will, are less necessary,
19 though they were built into the statute so that we would
20 all meet together, as you have described. I think that the
21 kind of considerations that the Applicant has put forth is
22 rendering our full participation and less necessary,
23 presuming of course that each state agency does retain its
24 authority to regulate as the Applicant has admitted.

1 VICE CHAIR: Other comments or
2 questions from members of the public?

3 MR. THEBERGE: Robert Theberge, City
4 Manager. You were talking about the paths that the pipe
5 or the pipeline was going to go. You have two
6 propositions; one down through Mt. Carbury, that crosses
7 Hutchins Street. The other one, if I am correct, would be
8 crossing two streets, Mason and Coos, would it not?

9 MR. WAGNER: Yes.

10 MR. THEBERGE: Okay, so you do have to
11 go across two roads?

12 MR. WAGNER: Minimum --

13 MR. THEBERGE: Alright. My next
14 question is: The proximity of the oil storage tank to
15 residential housing?

16 MR. WAGNER: I believe the storage
17 tank will be located on the up flow tubes of the bleach
18 plant, which is up in back on the far side of our parking
19 lot.

20 MR. THEBERGE: Another question: The
21 noise level, would we see -- Would the residents of the
22 city see an increase or decrease in noise?

23 MR. WAGNER: They will probably hear
24 a change in noise, rather than see. Dennis, can you help

1 us out there?

2 MR. PEDNEAULT: We are simplifying the
3 steam system. Right now that has been a significant issue
4 with the mill over the years, is you actually have two
5 separate steam islands that are interconnected by somewhat
6 small pipes, and you have to run it in unison. The new
7 system you are getting all the boilers right next to each
8 other, you are getting them on basically (inaudible)
9 headers so that the operation of the steam system is going
10 to improve. That should reduce, but not eliminate the
11 occasional steam releases. You are removing the bark oil
12 from operations. There is some noise associated with that,
13 but the actual chipping operation problem masks that, so
14 I think the overall on the noise is that it is not going
15 to adversely effect residents in the area. But for
16 noticeable reduction, I suspect that there's probably going
17 to be people operating the process (inaudible) that will
18 probably mask any of the improvements we make.

19 VICE CHAIR: Mr. Iacopino?

20 ATTORNEY M. IACOPINO: The city manager asked
21 you how far the oil storage tank would be from residences
22 and you explained to him where it would be, but members of
23 the Committee don't know the geography around here like you
24 and the city manager do. Could you just explain how far

1 from residences that oil storage facility would be?

2 MR. WAGNER: I think the best thing
3 to do is: Don and Dennis, if you can show them the map and
4 point it out on the schematic, and then everybody will be
5 a little bit more familiar with the location.

6 MR. PEDNEAULT: I will let Don point it
7 out. Essentially what we are doing is going to the NFDA
8 standards, set minimums. And that is actually part of the
9 design. The actual site of the storage tank is currently
10 in flux. Essentially what we did is we submitted the
11 application. We are still doing detailed designs. Odds
12 are the tank will stay the same or maybe get smaller, and
13 that will effect the distance. But the present location
14 of our potential oil unloading (inaudible) I think Don can
15 point it out. It is basically the employee parking lot.

16 MR. MERCIER: This is Coos Street.
17 This is the parking lot.

18 MR. PEDNEAULT: I believe the city codes
19 actually, and this is definitely subject to some
20 discussions with the Planning Board, the city codes
21 literally it is a 20-foot setback from property line. I
22 believe the NFDA standard moves it back somewhat more, to
23 related to the height of the tank. I believe it is one and
24 a half times the height of the tank. I would say it would

1 be in the 100 to 200 foot range from probably the closest
2 residential house. And you are welcome to come to the --
3 When we do our Planning Board site plan review, we will
4 have a lot better location and size on that tank.

5 MS. BROCKWAY: While we are on that
6 topic.

7 VICE CHAIR: Nancy Brockway?

8 MS. BROCKWAY: A question on that same
9 topic: How about distance from the river?

10 MR. PEDNEAULT: That would be closer to
11 easily a quarter of a mile. I guess I will point out we
12 have an existing 500,000 gallon oil tank located behind the
13 main office on Route 16. And this tank is intended to
14 replace that tank. And for those familiar with the
15 existing tank, it is more like about 200 feet from the
16 river. This is definitely an improvement compared to the
17 existing tank that we have.

18 VICE CHAIR: Jeff Taylor.

19 MR. TAYLOR: A point of
20 clarification, I guess, for Mr. Wagner. To my
21 understanding, based on the discussion that we had at the
22 meeting in Concord on December 18th was that you were not
23 ready to finalize a decision on a gas pipeline, and
24 therefore the Committee was to consider this to be an oil-

1 fired project, and if in the future you decided to feed the
2 system with gas you would initiate whatever procedures were
3 necessary to review that component at that time. Am I
4 correct in that?

5 MR. WAGNER: Well, at this point, we
6 are still looking at the parallel path, the two options.
7 As we get into this a little bit more it becomes obvious
8 with the economics of both gas and oil, that at the time
9 I believe it was number two fuel oil on December 18th, and
10 since then a couple other things with the design has
11 changed and we are seriously looking into number six and
12 gas as equally important at this point in time.

13 MR. TAYLOR: So, when the Committee
14 considers this project they should consider an oil supply
15 and both of the options for the gas supply?

16 MR. WAGNER: That is correct, both
17 gas and number six fuel oil.

18 MR. TAYLOR: Thank you.

19 MR. DANDERSON: I am Mayor Robert
20 Danderson, and I would like to ask a question to Don
21 Mercier. In reference to the fuel storage tanks, either
22 number two or number six, isn't it provided they have to
23 have a containment for the oil storage tanks?

24 MR. MERCIER: Yes. The new tank would

1 have a containment. And if you need more details I am sure
2 I am sure Dennis can answer that better than I can.

3 MR. PEDNEAULT: I will comment that the
4 tank will be built to current specifications, which
5 requires full containment. It actually requires pretty
6 much a waterproof barrier underneath it, and dependent upon
7 the design, possibly cathodic protection. So, basically
8 the state of the art of oil tanks has changed considerably
9 in the last few years, so this will be built to current
10 standards.

11 MR. DANDERSON: So, it won't be dykes,
12 it will be concrete or something like that?

13 MR. PEDNEAULT: My perception would be
14 probably a berm. That is the discussion we will have with
15 the Planning Board. It actually, in some ways, looks
16 esthetically more pleasing having a berm around it than
17 actually having a concrete wall as such.

18 VICE CHAIR: Deborah Schachter.

19 MS. SCHACHTER: While we are on the oil
20 tanks, I wonder if you could share with us, please. It
21 sounds like you are still evaluating what size the tank
22 ought to be to meet your needs should you go with oil, but
23 could you estimate for us how many days of fuel you are
24 aiming to have on site in storage?

1 MR. PEDNEAULT: What we are doing is we
2 are sizing the oil storage tank for 10 days operation at
3 winter design. And it is not yet law in New Hampshire, but
4 it is something in the New England states it is being
5 identified that to be a viable backup you need 10-day
6 storage, so that is what we are planning to.

7 VICE CHAIR: Other comments or
8 questions?

9 MR. WOODWARD: My name is Dave
10 Woodward. I am a state representative in Berlin and Milan.
11 And my question has to do with the electricity. In the
12 case of a catastrophic failure of your new 35 megawatt
13 generator plant, such as the event at the Whitefield
14 generating plant a few years ago, how would your increase
15 in demand over a long period of time effect the
16 availability of power for the city and/or the region?

17 MR. MERCIER: It should have very
18 little impact. One of the studies that will be done by the
19 ISO is exactly that kind of scenario: what would happen if
20 the 35 megawatt turbine were to fail, and can the system
21 support that kind of failure. That is one of the things
22 that is going to be looked at.

23 MR. WOODWARD: And my second question
24 has to do with the steam plant that you are presently using

1 on the north end of the facility. In your report you have
2 mentioned that it is going to be decommissioned. Are you
3 saying it is just going to be taken off line or will that
4 be completely disassembled and removed from the property?

5 MR. WAGNER: At this point
6 decommissioned means that we are just going to take it out
7 of use.

8 MR. WOODWARD: Thank you.

9 VICE CHAIR: Yes.

10 MR. CHAREST: My name is Norman
11 Charest, Economic Development Director for Tri-County
12 Community Action Programs, as well as the city of Berlin.
13 I have a couple of questions and a comment. Am I correct
14 in my understanding of the need for the exemption is
15 because the generating facility is 35 megawatts and
16 therefore it exceeds the 30 megawatt rating? Is that the
17 criteria?

18 VICE CHAIR: Yes.

19 MR. CHAREST: And my follow-up
20 question to that question is: What is so dramatic between
21 30 and 35 and is that an arbitrary number?

22 VICE CHAIR: It is a number the
23 legislature chose. I think we had a discussion on the way
24 up. Mr. Cannata, who is more familiar with the history of

1 this than I am, suggested that it used to be 50 megawatts,
2 I think, and for some reason they changed it to 30. Mr.
3 Cannata, do you want to comment on that further?

4 MR. CANNATA: It was changed from 50
5 to 30 back in 1992. At that time the legislature also gave
6 the Committee the authority that it could look at
7 generators even smaller than 30 megawatts if it was
8 petitioned by citizen groups or by towns. It comes on a
9 case by case basis. I don't know if I would call the
10 number arbitrary. It is what the legislature picked. I
11 wouldn't call the legislature arbitrary. I think it was
12 picked with much thought. But I think you have to have a
13 number to determine where you would want to invoke the
14 Committee's authority. And this maybe follows up a little
15 bit on a topic that was discussed earlier. None of the
16 regulations are circumvented by an exemption. It is just
17 a question of whether a project rises to a level to require
18 an integrated super approach with the heads of state
19 government right involved in it. The Tennessee Gas
20 pipeline, as the lady mentioned, traversed two counties,
21 three towns, was 20 miles long. Something like this is
22 contained within one city. And the question becomes: Can
23 the City of Berlin regulate itself, can it take care of
24 itself? And this the legislature recognized and gave the

1 Committee, I think, the discretion to be able not to
2 involve the process and the time consumption, if that
3 answers your question.

4 MR. CHAREST: Somewhat, yes. Well,
5 I guess the purpose of the question would be, you know, are
6 there some technical safety life threatening issues
7 surrounding the difference between a 30 and a 35 megawatt
8 generator that would prompt the process or kick in the
9 process, and apparently not.

10 MR. CANNATA: Not in my opinion, sir.

11 MR. CHAREST: Then my statement would
12 be that on behalf of my executive director, Larry Kelly,
13 who is ill and couldn't be here tonight, he wanted me to
14 express on his behalf, as a community action agency, whose
15 primary mission is to look at the welfare of people,
16 particularly with a strong emphasis on economic conditions,
17 the conditions of poverty in communities, et cetera, that
18 as an agency we would urge the Committee to look favorably
19 upon this application. Thank you.

20 VICE CHAIR: Other comments or
21 questions?

22 MR. MEERS: Good evening, Mr.
23 Chairman. I am Ed Meers. I am a state rep, Berlin and
24 Milan. I am one of those guys he was talking about. I am

1 also an employee of PPA. I have been there for 34 years.
2 I guess I would just like to point out that during the
3 decade of the '90s that proved to be a very unpredictable
4 time around here for workers and their families. We have
5 since moved beyond that era and now we are faced with
6 compliance of the Cluster Rules. So, in short, the
7 presentation you have heard this evening addresses that
8 issue. That is a plan to make the mill self sufficient
9 with its power needs. Please give this proposal serious
10 consideration so that workers and their families can once
11 again have stability. Thank you.

12 VICE CHAIR: Other comments or
13 questions?

14 MS. TETREULT: Barbara Tetreault,
15 *Berlin Daily Sun*. I just have a couple of quick questions.
16 I haven't heard a cost estimate for this upgrade yet. I
17 don't know if you care to share that. And also I haven't
18 heard any discussion of potential economic impacts to the
19 community from the construction phase. Do you intend to
20 hire local people? Do you have a figure of what the
21 benefits to the community might be from that?

22 MR. WAGNER: Total cost for this
23 operation is approximately a little north of 30 million
24 dollars. The impact on our community as far as contracted

1 services is always in our best interest, and we always look
2 to reach out to have resources in our community have the
3 opportunity to work with us.

4 VICE CHAIR: Any other comments or
5 questions?

6 MR. POTTER: I have a comment.

7 VICE CHAIR: If you could just
8 identify yourself for the record.

9 MR. POTTER: My name is Robert
10 Potter. You will have to put up with my husky voice. I
11 have a cold. I am a resident of Randolph and a native of
12 Gorham who has returned to the North Country for my
13 retirement. I am a director of Coos Economic Development
14 Council. I am director and vice president of the North
15 Country Council. I am a member of the Randolph
16 Conservation Commission, and director and vice chair of the
17 Northern Forest Heritage Park. I am here this evening to
18 speak for the park, but the position that the park is
19 taking is also my position as well. Before I state that
20 position I have just two questions that came to mind as I
21 sat here. What is going to happen to the bark, Jim?

22 MR. WAGNER: What is going to happen

23 --

24 MR. POTTER: To the bark that you are

1 not going to burn anymore.

2 MR. WAGNER: Oh, I thought you said
3 to the park. At this point in time there is several
4 alternatives that we are looking into. There's some
5 external marketing that we can do and also potential
6 internal use.

7 MR. POTTER: What is the regulation
8 now on the percent sulphur allowed in number six fuel oil
9 here in the North Country?

10 VICE CHAIR: I think that's a
11 question for Mr. Colburn. I don't know if you heard that
12 one.

13 MR. COLBURN: I'm sorry, I didn't.

14 MR. POTTER: What is the percent
15 sulphur allowed in number six fuel oil here in the North
16 Country? Does the North Country still get an exemption
17 from the rest of the state on number six oil?

18 MR. COLBURN: My chief of permitting
19 operations, Craig Wright is with us. Craig, do you have
20 that?

21 MR. WRIGHT: In the North Country
22 number six fuel oil is allowed to have a sulphur content
23 of 2.2 percent. However, there are some situations where
24 certain devices, even though they're in the North Country

1 they have to burn fuel with sulphur content as low as a
2 half percent. It depends on certain state and federal
3 regulations.

4 MR. POTTER: So the North Country
5 still gets the number six fuel oil 2.2 percent exemption?

6 MR. COLBURN: As a general rule we
7 model the emissions with a computer simulation and if there
8 are violations at the property line then we may have to
9 restrict that to a lower number. And obviously, as
10 guidance for the Company, we would certainly welcome more
11 attention paid to gas or number two than number two or six.

12 MR. POTTER: Right. Well, that would
13 be my comment as well that 2.2 percent sulphur be avoided
14 to whatever extent that it can and that the requirement be
15 that we pertain to the requirement for the rest of the
16 state.

17 MR. WRIGHT: I would just add that
18 a new boiler, such as the ones they're proposing, would be
19 subject to federal new source performance standards that
20 would limit the sulphur content to half percent sulphur.

21 MR. POTTER: Okay. There's no
22 questioning the need for this project that Pulp and Paper
23 of America is producing. The Cluster Rules are upon them,
24 upon the community as well and it is a significant cost

1 saving project for the Company.

2 I worked as a consultant for the management of James
3 River and then Crown Vantage in the Demming Management
4 Method from 1989 to 1995 and then sporadically after that.
5 We talked that one of the primary responsibilities of
6 management is to lead in the process of everyone in the
7 Company identifying, quantifying and eliminating waste.
8 I can honestly testify that the Company did one of the best
9 jobs of any of our companies, and we had companies all over
10 the world, very large companies, in doing that, in
11 achieving it.

12 One thing that they could not do however, is address
13 the energy problem. They had spent 80 million dollars on
14 the recovery boiler but were never able to come up with the
15 capital to modernize and replace the entire energy system.
16 Everyone in the Company that knew anything about the energy
17 system were all aware of this waste. It came up at all of
18 the meetings where we talked about waste.

19 Now we have a company, PPA, that wants to address this
20 issue, invest capital in what many people have believed in
21 the past is a black hole. While as a management consultant
22 I never believed it was a black hole. I saw these mills
23 in Berlin and Gorham as a huge opportunity and I saw a
24 management, engineering and workforce who had learned to

1 work together to identify, quantify and eliminate waste and
2 could long term be successful here in the North Country if
3 properly backed with capital.

4 If Crown Vantage could have held off selling these
5 assets for a year to a year and a half we wouldn't be here
6 today talking with Pulp and Paper of America, although it
7 might still be to our advantage to be doing so, because the
8 company, the Berlin mill and the Gorham mill would be
9 taking the company right out of the problem of bankruptcy.
10 Now that it appears that PPA is taking the concept of
11 identifying, quantifying and eliminating waste to an even
12 higher level than has been done in the past, and is willing
13 to invest substantial capital to do so, we must help them
14 to do that in any way that we can as long as it is done in
15 an environmentally acceptable manner.

16 (inaudible) Heritage Park's vision is to present
17 the history of the land, the forests, the Androscoggin
18 River system, the people who were here, the people who came
19 here, the history of the great North Country. Through our
20 1900's vintage deep woods logging camp, which will be
21 across the river from this new plant and upstream from this
22 new plant, we plan to present the whole -- I lost my place
23 here. Through this camp we want to tell how the wood got
24 from the forest. We want to tell the story of the forest,

1 past and present. How the wood got from the forest to the
2 mills. We want to tell about the forestry then and
3 forestry now. We plan to present the whole sustainable
4 forestry management story of modern forestry. We plan to
5 sponsor wood tours, pulp and paper mill tours so the
6 visitors to the North Country can see for themselves that
7 cutting trees and using wood in a responsible way is not
8 a bad thing.

9 Our best chance of success is to be part of a vibrant
10 economy, includes a vibrant forest products industry. We
11 do not believe we can have a vibrant economy without a
12 vibrant forest products industry and we can't have vibrant
13 forest products industry without a successful, well
14 managed, well led, modernized pulp and paper mill here in
15 Berlin and Gorham. We feel the proposed energy plant here
16 in Berlin is a great start to the modernization of these
17 facilities. Needless to say it will be easier to make
18 people believe they are in a deep woods logging camp at
19 a camp re-enactment on those days when the olfactory nerves
20 are not being assailed by the odors borne on the winds out
21 of the southeast.

22 Lastly, as a Demming disciple, let me point out that
23 time frequently ends up causing huge waste. The time that
24 would be involved in going through this site process

1 review, if it is not necessary, and from what I've heard
2 here tonight it doesn't appear necessary, is waste. It
3 will not add value to the process. Everything that can be
4 done must be done to keep this product on as fast a track
5 as possible. We in the Northern Forest Heritage Parks
6 support whatever can be done to get this energy plant up
7 and in operation as soon as possible. Thank you.

8 VICE CHAIR: Any other comments or
9 questions?

10 MR. KELLY: Hi. I'm Barry Kelly,
11 a since birth resident of Berlin and I run a saw mill here
12 in Berlin and through the years have been very involved
13 with the paper company. They've been a tremendous market
14 for our wood chips and up until now a very good market for
15 some of our wood wastes. But be that as it may, if we lose
16 a wood waste market we gain a more healthy long lasting
17 paper mill here.

18 We need your help in Concord. We need help in
19 regulations. We need help in this permitting process. I
20 think it's very important and I think you all realize that.
21 It's very important to keep this industry going in Berlin.
22 It's not only the economic engine that drives Berlin but
23 it drives the whole North Country.

24 From an environmental standpoint, this seems to be a

1 very responsible approach to the energy issues here, both
2 environmentally and from a practical investment standpoint.
3 In Berlin we don't understand investment in the paper
4 company. It's been so many years since we've heard that
5 word. Of course, we had an 80 million dollar investment
6 in the central recovery boiler but that was defensive
7 spending. Had that not been put in it would have
8 disappeared. It's a pleasure to hear a company that buys
9 this paper company talk about expansion and investment.
10 And we need your help, I think Phil Bryce can tell you all
11 how important it is and how it makes a healthier forest to
12 have a market for the lower grade, infected, smaller,
13 crooked, lower species, and that's what we have here. It
14 drives the whole North Country and we want to preserve the
15 North Country and preserve the economy here. So we ask for
16 your help and hope for your support. Thank you.

17 VICE CHAIR: Any other comments or
18 questions? Anything else from the Applicant?

19 MR. WAGNER: No sir.

20 VICE CHAIR: Okay.

21 MS. BROCKWAY: Mr. Chairman, if I might
22 suggest, I don't know how many people are here. Maybe
23 somebody, a better estimator than I am -- 100, 150? We've
24 had a number of people who spoke, all of them in favor.

1 Would it be possible for the Chair to ask if there's
2 anybody here who opposes the project?

3 VICE CHAIR: You've just asked it.
4 I don't think I need to ask it again.

5 ATTORNEY V. IACOPINO: Commissioner, I'm told
6 there's 62 people sitting out there.

7 MS. BROCKWAY: So if we could just then
8 note for the record that taking silence as there's nobody
9 here opposed to it.

10 VICE CHAIR: Okay. I think we'll
11 take just a very brief recess and then proceed to the rest
12 of our agenda.

13 (Off the record for recess)

14 VICE CHAIR: The Committee actually
15 has a couple more questions that they'd like to ask the
16 Applicant. Maybe I'll just start off. I know Mr. Wagner
17 committed to essentially make all of the necessary filings
18 with the different agencies that are involved in the event
19 that the Committee decides to grant the exemption which
20 you've requested. I guess, just to be perfectly clear,
21 since we're not sure yet whether you're going to use
22 natural gas or not, in the event that you decide to use
23 natural gas and then obviously you're going to have to make
24 a choice on which of the two routes to follow, would it be

1 your intention to come to the Public Utilities Commission
2 with the specifics of which route you intend to follow and
3 how you intend to go about installing that pipeline and so
4 forth?

5 MR. WAGNER: We feel that with all
6 the expert opinions and resources you've got on that board,
7 yes, I believe we would.

8 VICE CHAIR: Okay, thank you.

9 MS. BROCKWAY: Mr. Chairman, just to
10 clarify a point. Is it my understanding that with respect
11 to the oil on-site storage that the commitment from the
12 Company is to maintain the 10 day storage at all times?
13 I had the impression that that was a requirement actually
14 of the interconnection study but in any event, would that
15 be a commitment that the Company could make?

16 MR. WAGNER: Yes.

17 VICE CHAIR: Okay. Is there anything
18 else? Alright, then I think we can proceed to the rest of
19 our agenda. We've already indicated the members of the
20 Committee that are present and so the next item on our
21 agenda is actually a discussion on the application of Pulp
22 and Paper of America. I'd like to recognize George Bald.

23 MR. BALD: Mr. Chairman, I think
24 in light of the fact that it's been demonstrated that

1 existing state statutes, state agency rules and ordinance
2 will provide adequate protection of the objectives of RSA
3 162-H(1), that a review of the application reveals that all
4 the agencies can do their job as required without
5 exercising the provisions of RSA 162-H; that response to
6 the application from the general public as indicated this
7 evening has been positive; that all environmental impacts
8 or effects will be adequately regulated by other federal,
9 state and local statutes and rules and ordinances. I think
10 it's also been demonstrated that granting the application
11 for exemption would not create a broad or disruptive
12 precedent. I would move that we grant their exemption
13 under RSA 162-H to Pulp and Paper of America, LLC.

14 VICE CHAIR: There is a motion to
15 grant the exemption. Is there a second? Jeff Taylor?

16 MR. TAYLOR: Mr. Chairman, I would
17 echo Commissioner Bald's comments. I think from the
18 testimony that we've heard this evening from the Company,
19 from the comments that we have on the written record and
20 from the comments that we have received orally this
21 evening, it appears that this project is not in the best
22 interest of the Company, but in the best interest of the
23 community and the North Country in general. And I share
24 Commissioner Bald's thoughts that there's an adequate

1 review process available absent the full SEC hearing
2 process. I would second the motion.

3 VICE CHAIR: Mr. Colburn, would you
4 --?

5 MR. COLBURN: I was only going to
6 second.

7 VICE CHAIR: Do you want to third the
8 motion?

9 MR. COLBURN: That's right.

10 VICE CHAIR: Is there any other
11 discussion from the Committee members? Mr. Cannata?

12 MR. CANNATA: Yes, Mr. Chairman. I
13 echo previous comments by other Committee members but as
14 a friendly amendment to that motion and second I do believe
15 that the interconnection needs preservation of safety and
16 reliability through the ISO studies. The things I
17 mentioned when PSNH was at the microphone in terms of
18 construction tube, national electric code standards, PUC
19 rule 306 and the requirement that the ISO studies be
20 completed before operation I think are imperative in terms
21 of maintaining the grid. If those conditions were part of
22 the exemption granted I would have no problem agreeing with
23 it.

24 MR. BALD: Before I agree to the

1 friendly amendment, I'm just a little confused as to what
2 you said, before it operates or before the connect to the
3 grid?

4 MR. CANNATA: I think it's one and the
5 same in this case. The type of connection that they
6 propose, that if generator operates -- the ISO requires
7 that if a generator, five megawatts or more, then it must
8 have approval before it can operate. So I think it's one
9 and the same, Commissioner.

10 MR. BALD: So you're saying it
11 couldn't -- if there was no connection to the grid it still
12 couldn't operate?

13 MR. CANNATA: The ISO requires that
14 any generator that's rated five megawatts or more, whether
15 there's that much power being shipped into the grid or not,
16 needs to be approved before it can be connected to the
17 grid. And if the ISO studies were not done it cannot be
18 connected to the grid. I think they've already applied for
19 that so it's really almost a condition that's going to be
20 in place anyway.

21 MR. COLBURN: I think that I would
22 share what I'm hearing as Commission Bald's concern about
23 that condition. There's a tight time frame relative to the
24 federal Cluster Rule compliance and that my understanding,

1 Mr. Cannata, would be that if the switch is not thrown and
2 it is not on the grid then the ISO doesn't have any say
3 about it. Obviously, before that switch can be thrown and
4 the unit put on the grid the ISO has a very great say and
5 the conditions that you specify should be met. But until
6 that time, if operation is required to comply with the
7 federal Cluster Rule and the Company is willing to forgo
8 the revenue of sales of the extra power on the grid, then
9 it should be able to operate without the benefit of selling
10 onto the grid.

11 MR. CANNATA: My understanding is that
12 they would not allow that generator to operate in that
13 manner.

14 MR. COLBURN: I guess I'm not certain
15 how the ISO has any say on it if it's not on the grid.

16 MR. CANNATA: I have -- Mr. Wagner,
17 in your conversations with the ISO, have you been able to
18 discern what their requirements are going to be and whether
19 my expectations from the ISO are correct or not?

20 MR. WAGNER: I'd like Mr. Don Mercier
21 to answer that please.

22 MR. MERCIER: My understanding is that
23 if we connect a generator to the grid system, New England
24 grid system, that the ISO has to approve it after

1 interconnection studies. I'm not aware that a private
2 generator generating internally is subject to their rules
3 but I could be wrong. I'm not aware of that.

4 MR. CANNATA: I guess my concern, Mr.
5 Mercier, is that if that's the case, why are you in front
6 of the ISO now for approval?

7 MR. MERCIER: Because we want to be
8 connected.

9 MR. CANNATA: And if you connect that
10 generator your system diagram shows that that generator is
11 directly connected to the grid. Whether you're operating
12 it or not I don't think was a requirement of the ISO.

13 MR. MERCIER: That's correct.

14 MR. CANNATA: So with that being the
15 case, if it is going to be connected to the grid
16 electrically and the ISO is going to require you to have
17 your studies done prior to operation, and that's all really
18 that condition I was saying is, is that they have the ISO
19 approved interconnection study completed prior to
20 operation, which I think is very compatible to what we did
21 at AES, which a very similar condition existed. That the
22 interconnection was not in a state where they could present
23 the Committee with the full information. And my
24 understanding is the time table Mr. Wagner stated earlier,

1 was that that's expected to be done within six or so months
2 and they would be working with PSNH or are working with
3 PSNH now to determine what those parameters are so they can
4 order their equipment.

5 MR. TAYLOR: Michael, rather than
6 amend the motion, perhaps we should just indicate that it's
7 the sense of the Committee that the ISO evaluations be
8 pursued with all due diligence and speed so that the full
9 benefits of the project can be realized. And leave the
10 issue of whether or not the ISO has to approve it before
11 or after to be a dialogue between the ISO and the Company.
12 Would that be acceptable to you, Mike?

13 MR. CANNATA: We'll leave it to the
14 Committee vote.

15 MS. BROCKWAY: Mr. Chairman, I will be
16 voting for the motion but I will be hoping that in our
17 written decision, if the vote goes in favor of the motion,
18 we could insert language that would reflect our reliance
19 on certain representations that were made tonight because
20 in addition to the application for the exemption there were
21 a number of things that were brought out in the discussion
22 tonight that are valuable to me, at least, in terms of a
23 comfort level about the project. One of them is the
24 recitation that there would be a ten day supply of oil on

1 site. And this, of course, is important in the case of a
2 potential shortage, and in particular, so that there not
3 be an adverse impact on others in the region who would have
4 a need for oil, among other things.

5 Another thing that was said tonight that is a valuable
6 contribution is that when and if the project -- or PPA
7 decides to go to natural gas that they will consult with
8 the local authorities and include in that consultation the
9 question of whether or not the spur could or should be
10 sized and located in a way that would make it usable for
11 local distribution. I think Mr. Cannata touched on the
12 other issue that I had in mind.

13 I think finally I would say that I think we ought to
14 have a written decision to accompany this because there
15 were certain -- it was very, very helpful to have counsels
16 going through the statute and the standards tonight. I
17 think we ought to walk ourselves through that in the
18 decision just to make it clear what the basis of the
19 exemption would be. And I think also to make it clear some
20 of the things that would not necessarily constitute an
21 exemption so that not having anything to do with this
22 project, but just because anything that we do might be
23 precedent for other projects, so as not to muddy the waters
24 about our jurisdiction in other cases which may not have

1 this constellation of positive attributes.

2 VICE CHAIR: I think counsel has
3 indicated that they could probably have a decision drafted
4 within the next week or 10 days for the Committee to review
5 and hopefully issue (inaudible).

6 MR. CANNATA: I would just ask one
7 clarifying question on this topic that we were discussing
8 earlier, the grid reliability and maintaining the integrity
9 of the grid. If the order can address maintaining of the
10 grid, that is my main purpose, that we must maintain the
11 integrity of the grid. I think PSNH's letter indicated
12 that they have no problem, but that's their concern. You
13 must maintain the grid because that can impact other
14 customers. If what we're moving forward with can impact
15 the reliability of the grid, I believe the Committee has
16 to address that. If the Company is committing itself, such
17 that their actions will maintain the reliability and the
18 integrity of the grid, that's what I'm looking for. I
19 guess I'd ask Mr. Wagner for your representation.

20 MR. WAGNER: We would agree with
21 that, yes.

22 MR. CANNATA: Then with that I will
23 support the motion as stated.

24 VICE CHAIR: Okay, without the

1 condition?

2 MR. CANNATA: Without the conditions.

3 VICE CHAIR: Any further discussion
4 by the Committee? Okay. If not, then all in favor of the
5 motion say 'Aye'.

6 COMMITTEE MEMBERS: Aye.

7 VICE CHAIR: Any opposed? The ayes
8 have it. Very good. I think the Committee members can
9 look forward to receiving a draft from Messrs. Iacopino
10 sometime in the very near future and hopefully issue the
11 order soon thereafter. Is there any other business to come
12 before the Committee this evening?

13 ATTORNEY M. IACOPINO: Mr. Chairman, just for
14 the Applicant and the public's clarification on how this
15 operates. The vote has been taken by the Committee. The
16 exemption is granted. The decision, which will contain the
17 reasons of the granting of the exemption is what will be
18 issued within seven to ten days or however much faster Mr.
19 Patch cracks his whip.

20 MR. WAGNER: Mr. Chairman, just one
21 comment. We'd like to thank all of you, the site members,
22 and also the community officials and representation from
23 the North Country, my associates, and Mr. Galante for
24 supporting this effort. Thank you.

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VICE CHAIR: Thank you Mr. Wagner and
all of your people. And thank you to all of the members
of the public who came out this evening. Thank you all.

OFF THE RECORD